

107TH CONGRESS
2D SESSION

H. R. 3974

To increase the expertise and capacity of community-based organizations involved in economic development activities and key community development programs.

IN THE HOUSE OF REPRESENTATIVES

MARCH 14, 2002

Mrs. JONES of Ohio (for herself and Mr. WATTS of Oklahoma) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To increase the expertise and capacity of community-based organizations involved in economic development activities and key community development programs.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Community Economic
5 Development Expertise Enhancement Act of 2002”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) CONGRESSIONAL FINDINGS.—The Congress finds
8 that—

1 (1) there are a multitude of community eco-
2 nomic development programs that the Federal Gov-
3 ernment successfully administers that help many of
4 the Nation's most economically distressed areas revi-
5 talize their physical and economic structures and
6 provide support to small and medium-sized busi-
7 nesses to help them grow and generate long-term
8 jobs and economic opportunity;

9 (2) there are many nonprofit, nongovernmental,
10 community-based economic development organiza-
11 tions, including faith-based organizations, that have
12 successfully operated community economic develop-
13 ment programs;

14 (3) existing Federal community economic devel-
15 opment programs are intended to leverage private
16 sector investment as part of an overall community
17 development effort;

18 (4) existing Federal community economic devel-
19 opment programs connect residents of distressed
20 neighborhoods to jobs and opportunities of the re-
21 gional marketplace, thereby replacing economic dis-
22 tress with opportunity;

23 (5) existing Federal community economic devel-
24 opment programs provide financial assistance, in-
25 cluding tax credits and loan guarantees, involve pri-

1 vate investment institutions and universities, and
2 provide technical expertise for small businesses;

3 (6) existing Federal community economic devel-
4 opment programs build upon ongoing efforts to en-
5 courage economic growth in distressed communities,
6 helping to create new affordable housing opportuni-
7 ties, allowing communities to address important pub-
8 lic safety, infrastructure, and environmental con-
9 cerns, and providing social services including afford-
10 able health care, child care, and youth development;

11 (7) the continuing success of Federal commu-
12 nity economic development programs will depend in
13 great measure upon the ability of community-based
14 organizations and private sector institutions to form
15 partnerships that connect residents of distressed
16 neighborhoods to jobs and other opportunities;

17 (8) the Federal Government administers various
18 programs that employ the services and capabilities
19 of community-based organizations to deliver a wide
20 range of services to residents of distressed commu-
21 nities;

22 (9) Federal community economic development
23 programs help achieve lasting improvement and en-
24 hance domestic prosperity by the establishment of

1 stable and diversified local economies, sustainable
2 development, and improved local conditions;

3 (10) there is a need for greater cooperation be-
4 tween the Federal Government, States, and other
5 entities to ensure that, consistent with national com-
6 munity economic development objectives, Federal
7 programs are compatible with, and further the objec-
8 tives of, State, regional, and local economic develop-
9 ment plans and comprehensive economic develop-
10 ment strategies;

11 (11) while economic development is an inher-
12 ently local process, the Federal Government should
13 work in closer partnership with community-based
14 economic development organizations to ensure that
15 existing resources are not wasted and all Americans
16 have an opportunity to participate in the economic
17 growth of the United States; and

18 (12) extending technical assistance to commu-
19 nity-based economic development organizations may
20 be necessary or desirable to—

21 (A) alleviate economic distress;

22 (B) encourage and support public-private
23 partnerships for the formation and improve-
24 ment of economic development strategies that
25 promote the growth of the national economy;

1 (C) stimulate modernization and techno-
2 logical advances in the generation and commer-
3 cialization of goods and services; and

4 (D) enhance the effectiveness of United
5 States companies in the global economy.

6 (b) PURPOSES.—The purposes of this Act are—

7 (1) to provide Federal funding to enhance the
8 capabilities of nonprofit, nongovernmental, commu-
9 nity-based economic development organizations to le-
10 verage private sector investment as part of an over-
11 all community development strategy;

12 (2) to establish educational programs for non-
13 profit, nongovernmental, community-based organiza-
14 tions to expand their project development capabili-
15 ties;

16 (3) to increase the use of tax incentives to le-
17 verage private sector investment in community eco-
18 nomic development projects;

19 (4) to promote and facilitate investments in
20 community-based economic development projects
21 from traditional and nontraditional capital sources;

22 (5) to encourage partnerships between commu-
23 nity-based organizations that will expand and en-
24 hance the expertise of emerging such nonprofit, non-
25 governmental organizations in utilizing private sec-

1 tor investment as part of their comprehensive com-
 2 munity development strategies; and

3 (6) to ensure that viable community economic
 4 development projects are successfully pursued
 5 throughout the United States in communities having
 6 a wide range of economic, geographic, and social
 7 characteristics.

8 **SEC. 3. GRANTS TO INCREASE CAPACITY AND EXPERTISE**
 9 **OF NONPROFIT, NONGOVERNMENTAL COM-**
 10 **MUNITY-BASED ORGANIZATIONS INVOLVED**
 11 **IN COMMUNITY ECONOMIC DEVELOPMENT**
 12 **ACTIVITIES.**

13 (a) GRANT AUTHORITY.—The Secretary of Housing
 14 and Urban Development may make grants under this sec-
 15 tion only to eligible community-based economic develop-
 16 ment organizations only for the purposes under subsection
 17 (c).

18 (b) ELIGIBLE COMMUNITY-BASED ECONOMIC DE-
 19 VELOPMENT ORGANIZATIONS.—For purposes of this sec-
 20 tion, the term “eligible community-based economic devel-
 21 opment organization” means a community-based economic
 22 development organization (as such term is defined under
 23 section 7) that demonstrates management capacity by
 24 meeting, as determined by the Secretary, two or more of
 25 the following requirements:

1 (1) AFFORDABLE HOUSING.—Having completed
2 construction of 10 or more dwelling units of afford-
3 able housing.

4 (2) FACILITIES.—Having completed construc-
5 tion of a commercial, industrial, retail, or commu-
6 nity facility project.

7 (3) PARTNERING.—Partnering, or having a his-
8 tory of partnering, with other community-based eco-
9 nomic development organizations to provide training,
10 education, capacity, technical assistance, or other
11 mentoring services.

12 (4) SUPPORT OF EMERGING ORGANIZATIONS.—
13 Exhibiting willingness to form operational partner-
14 ships and execute contractual agreements with
15 emerging community-based economic development
16 organizations.

17 (5) OWNERSHIP OF ASSETS.—Having owner-
18 ship of tangible assets the value of which are equal
19 to or exceed the value of the grant requested under
20 this section.

21 (c) USE OF FUNDS.—

22 (1) PURPOSES.—Amounts from grants under
23 this section may be used only for the following pur-
24 poses:

1 (A) SALARIES AND ADMINISTRATIVE EX-
2 PENSES.—For salaries or administrative ex-
3 penses of the grantee or an emerging commu-
4 nity-based economic development organization
5 that is undertaking a community economic de-
6 velopment project.

7 (B) TECHNICAL ASSISTANCE.—To provide
8 technical assistance to an emerging community-
9 based economic development organization that
10 is undertaking a community economic develop-
11 ment project.

12 (C) TRAINING AND RESEARCH.—Through
13 subgrants pursuant to paragraph (2), for train-
14 ing, research, and technical assistance relating
15 to community economic development, including
16 subgrants for program evaluation and economic
17 impact analyses.

18 (2) EXPENDITURE.—Amounts from grants
19 under this section may be used directly by the eligi-
20 ble community-based economic development organi-
21 zation receiving the grant or redistributed by such
22 recipient to other nonprofit, nongovernmental enti-
23 ties in grants, loans, loan guarantees, payments to
24 reduce interest on loan guarantees, or other appro-
25 priate assistance, except that a recipient may not

1 provide any such assistance from grant amounts to
2 a private, for-profit entity.

3 (d) SELECTION CRITERIA.—The Secretary shall issue
4 rules, guidelines, and procedures to provide for the selec-
5 tion of eligible community-based economic development or-
6 ganizations for grants under this section, based upon a
7 determination of the relative effectiveness of such organi-
8 zations in carrying out the purposes of this Act. Such
9 rules, guidelines, and procedures shall provide for consid-
10 eration of the following factors:

11 (1) The number of such organizations eligible
12 to receive assistance under existing programs other
13 than this section.

14 (2) The extent to which grant amounts pro-
15 vided under this section will enhance the capabilities
16 of community-based economic development organiza-
17 tions in underserved States and localities.

18 (3) The extent to which an eligible community-
19 based economic development organization applying
20 for a grant does not have access to other traditional
21 local financial sources.

22 (4) The extent to which such an organization
23 represents nonprofit, nongovernmental organizations
24 that serve low-income communities and persons.

1 (5) The extent to which such an organization
2 will recover its cost of operating in underserved
3 areas.

4 (6) The extent to which such an organization
5 will implement a plan to become financially sustain-
6 able.

7 (e) AMOUNT.—A grant under this section to a single
8 grantee shall be in an amount that is not less than
9 \$250,000 and does not exceed \$1,000,000.

10 (f) PROHIBITION OF MATCHING FUNDS REQUIRE-
11 MENT.—The Secretary may not require a grantee under
12 this section to provide amounts from sources other than
13 this section to fund the activities to be carried out with
14 grant amounts under this section.

15 (g) ELIGIBILITY FOR COMMUNITY REINVESTMENT
16 ACT CREDITS.—In assessing and taking into account,
17 under section 804(a) of the Community Reinvestment Act
18 of 1977, the record of any regulated financial institution,
19 the appropriate Federal financial supervisory agency (as
20 defined in section 803(1) of such Act) may consider as
21 a factor investments in community economic development
22 projects of eligible community-based economic develop-
23 ment organizations in determining whether the institution
24 is meeting the credit needs of its community for purposes
25 of such section 804(a).

1 (h) AUTHORIZATION OF APPROPRIATIONS.—

2 (1) IN GENERAL.—There are authorized to be
3 appropriated for grants under this section
4 \$75,000,000 for each of fiscal years 2003, 2004,
5 and 2005.

6 (2) SET-ASIDE FOR TECHNICAL ASSISTANCE
7 AND TRAINING.—Of the amount made available
8 under this Act for each fiscal year, \$10,000,000
9 shall be available only for technical assistance and
10 training activities, to be conducted by a national or-
11 ganization having extensive nationwide partnerships
12 and experience in working with community-based
13 economic development organizations, as authorized
14 by section 4 of the HUD Demonstration Act of 1993
15 (42 U.S.C. 9816 note), as in effect immediately be-
16 fore May 1, 2000. Of the amount reserved for use
17 under this paragraph, not less than \$4,000,000 shall
18 be used for such development organizations in rural
19 areas.

20 **SEC. 4. ASSESSMENT OF COMMUNITY-BASED ECONOMIC**
21 **DEVELOPMENT EXPERTISE.**

22 (a) CAPABILITY STUDY.—The Secretary shall con-
23 duct a study to assess the capability needs of community-
24 based economic development organizations, which shall—

1 (1) analyze, evaluate, and recommend processes
2 to improve the administrative and operational capa-
3 bilities of such organizations to acceptable levels of
4 success in support of the role of the Federal Govern-
5 ment in community economic development; and

6 (2) assess the extent to which Federal agencies
7 can incorporate such organizations into the formula-
8 tion of the strategic plans of funding agencies and,
9 if the extent or quality of this type of involvement
10 is satisfactory, can support the role of the Federal
11 Government in community economic development.

12 The Secretary shall submit a report regarding the results
13 of the study under this subsection not later than the expi-
14 ration of the 6-month period beginning on the date of the
15 enactment of this Act.

16 (b) REPORTS TO CONGRESS.—Not later than the
17 first March 1 occurring after the end of each fiscal year
18 for which amounts are made available for grants under
19 section 3, the Secretary shall submit a report to the Con-
20 gress, which shall include—

21 (1) an evaluation of the progress made during
22 such fiscal year to enhance the administrative and
23 operational capabilities of community-based eco-
24 nomic development organizations in support of the

1 role of the Federal Government in community eco-
2 nomic development;

3 (2) an assessment of the extent to which Fed-
4 eral agencies have, during such fiscal year, involved
5 community-based economic development organiza-
6 tions in responsibilities for carrying out community
7 economic development programs administered by the
8 agencies and delivering services under such pro-
9 grams that enhance the operational capabilities of
10 the organizations; and

11 (3) a plan for making recommendations for ac-
12 tions or measures to further involve community-
13 based economic development organizations in the
14 strategic operations of Federal agencies in support
15 of community economic development.

16 **SEC. 5. ADVISORY COUNCIL.**

17 (a) ESTABLISHMENT AND DUTIES.—The Secretary
18 shall establish an advisory council to be known as the Sec-
19 retary’s Advisory Council on Community Economic Devel-
20 opment (in this section referred to as the “Advisory Coun-
21 cil”). The Advisory Council shall make recommendations
22 to the Secretary on carrying out this Act, including rec-
23 ommendations on developing plans under section 4(b)(3)
24 and reviewing and making recommendations on such plans
25 that have been developed.

1 (b) MEMBERSHIP.—The Advisory Council shall con-
2 sist of not less than 19 members, appointed by the Sec-
3 retary, as follows:

4 (1) EX OFFICIO MEMBERS.—The following
5 members, who shall serve as nonvoting members:

6 (A) The Secretary of Housing and Urban
7 Development, or the designee of such Secretary.

8 (B) The Secretary of Health and Human
9 Services, or the designee of such Secretary.

10 (C) The Assistant Secretary for Economic
11 Development of the Department of Commerce,
12 or the designee of the Assistant Secretary.

13 (D) The Administrator of the Community
14 Development Financial Institutions Fund, or
15 the designee of the Administrator.

16 (E) The Under Secretary of Agriculture
17 for Rural Development, or the designee of the
18 Under Secretary.

19 (2) OTHER MEMBERS.—No fewer than 14
20 members, who are not officers or employees of the
21 Federal Government, who shall serve as voting mem-
22 bers:

23 (A) No fewer than 2 individuals who con-
24 duct research on community economic develop-
25 ment activities.

1 (B) No fewer than 2 individuals who are
2 experts in community economic development fi-
3 nancing.

4 (C) No fewer than 3 individuals who are
5 publicly elected officials.

6 (D) No fewer than 7 individuals who are
7 representatives of community-based economic
8 development organizations that carry out com-
9 munity economic development activities.

10 (c) TRAVEL EXPENSES.—Members of the Advisory
11 Council shall not receive any pay by reason of their service
12 on the Advisory Council, but shall receive travel expenses,
13 including per diem in lieu of subsistence, in accordance
14 with sections 5702 and 5703 of title 5, United States
15 Code.

16 **SEC. 6. COORDINATION WITH PRESIDENT'S ANNUAL BUDG-**
17 **ET REQUEST.**

18 The President of the United States shall include, to-
19 gether with each annual budget of the United States Gov-
20 ernment required to be submitted under section 1105(a)
21 of title 31, United States Code, a report regarding Federal
22 financial support for community economic development
23 that includes—

24 (1) a detailed summary of the total level of
25 funding committed to community-based economic de-

1 velopment organizations throughout all Federal
2 agencies;

3 (2) a statement of projected funding levels for
4 the grant program under section 3 of this Act for
5 the upcoming fiscal year and each fiscal year there-
6 after until 2010, and projected funding levels for fi-
7 nancial assistance for economic development activi-
8 ties for each Federal agency that provides such as-
9 sistance;

10 (3) an identification and analysis of the method
11 (including grant agreements, procurement contracts,
12 and cooperative agreements (as such terms are used
13 in chapter 63 of title 31, United States Code) by
14 which such financial assistance is provided for each
15 such economic development activity; and

16 (4) recommendations for specific activities and
17 measures to enhance community-based economic de-
18 velopment capacity building in States having less
19 concentrated economic and infrastructure resources
20 and to strengthen nationwide community-based eco-
21 nomic development.

22 **SEC. 7. DEFINITIONS.**

23 For purposes of this Act, the following definitions
24 shall apply:

1 (1) COMMUNITY-BASED ECONOMIC DEVELOP-
2 MENT ORGANIZATION.—

3 (A) IN GENERAL.—For purposes of this
4 section, the term “community-based economic
5 development organization” means a nonprofit,
6 nongovernmental organization that—

7 (i) has as its primary mission to
8 serve, or provide investment capital for,
9 low-income communities and low-income
10 persons; and

11 (ii) maintains accountability to resi-
12 dents of low-income communities through
13 their representation on any governing
14 board of the organization or on any advi-
15 sory board to the organization.

16 (B) NONDISCRIMINATION AGAINST FAITH-
17 BASED ORGANIZATIONS.—Such term shall in-
18 clude any faith-based organization that complies
19 with the requirements under clauses (i) and (ii)
20 of subparagraph (A).

21 (C) TREATMENT OF COMMUNITY DEVEL-
22 OPMENT FINANCIAL INSTITUTIONS.—The re-
23 quirements of subparagraph (A) shall be treat-
24 ed as met by any community development fi-
25 nancial institution (as such term is defined in

1 section 103 of the Community Development
2 Banking and Financial Institutions Act of 1994
3 (12 U.S.C. 4702).

4 (2) COMMUNITY ECONOMIC DEVELOPMENT
5 PROJECT.—The term “community economic develop-
6 ment project” means a project that involves—

7 (A) investment in business enterprises, in-
8 cluding investments in the form of loan origina-
9 tion, equity investment, and monetary assist-
10 ance to home buyers or to business owners for
11 business development projects; or

12 (B) the construction or rehabilitation of fa-
13 cilities, including commercial or industrial facili-
14 ties, homes, apartment buildings, and commu-
15 nity parks.

16 (3) LOW-INCOME COMMUNITIES AND PER-
17 SONS.—The terms “low-income communities” and
18 “low-income persons” shall have the meanings given
19 such terms in section 45D of the Internal Revenue
20 Code of 1986 (26 U.S.C. 45D).

21 (4) SECRETARY.—The term “Secretary” means
22 the Secretary of Housing and Urban Development.

○